

# Auditing Public-Private Partnerships in BC

OAG experience in auditing P3s

Case study: Audit of the Evergreen Line Rapid Transit Project



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# Assurance on Project Reports

- Involvement in P3s started in 2004
- Provided assurance on management's Project Reports
  - Abbotsford Regional Hospital and Cancer Center (Feb 2005)  
[http://www.partnershipsbcc.ca/files\\_2/documents/020705\\_PBCAbbotsford.pdf](http://www.partnershipsbcc.ca/files_2/documents/020705_PBCAbbotsford.pdf)
  - Sea-to-Sky Highway Improvement Project (Dec 2005)  
<http://www.partnershipsbcc.ca/pdf/SeatoSkyFinal.pdf>
  - Canada Line Rapid Transit (April 2006)  
[http://www.partnershipsbcc.ca/files-4/documents/Canada-Line-Final-Project-Report\\_12April2006.pdf](http://www.partnershipsbcc.ca/files-4/documents/Canada-Line-Final-Project-Report_12April2006.pdf)



# Details behind assurance opinions

- Comprehensive review
  - Selection process
  - Procurement process
  - Understanding the Value-for-Money analysis (public sector comparator, discount rate, user benefits)



# Benefits and challenges of assurance opinions

- What worked?
  - Enhanced disclosure in Project Reports
  - Timely audit reporting
- What were the challenges?
  - Maintaining auditor independence
  - Public perception / understanding of our assurance reports



## Focus on direct reporting engagements

- A framework for evaluation the implementation of Private Finance Initiative projects (May 2006 – UK National Audit Office)
- 6 stage maturity model
  - Strategic Analysis
  - Tendering
  - Contract Completion
  - Pre-Operational Implementation
  - Early Operational
  - Mature Operational



# Academic Ambulatory Care Centre

- May 2011 public report
- Project overview (DBFOM)
- Overview of criteria and scope (construction and early operational phases)
- Audit challenges

Link to report: <http://www.bcauditor.com/pubs/2011/report2/public-private-partnership-P3-audit-VCHA-AACC>



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## Audits of Two P3 Projects in the Sea-to-Sky Corridor

- July 2012 report
  - Sea-to-Sky Highway Improvement Project (DBFOM)
  - Britannia Mine Water Treatment Plant Project (DBFOM)
- Overview of the criteria and scope (early to mature operational phases)
- Audit challenges
- Link to the report: <http://www.bcauditor.com/pubs/2012/report4/audits-two-p3-projects-sea-sky-corridor>



# An Audit of the Evergreen Line Rapid Transit Project



- Link to report: <http://www.bcauditor.com/pubs/2013/report15/audit-evergreen-line-rapid-transit-system>





# Team Composition

- Training opportunity for our infrastructure specialists/ P3
- Ray Winn- Transportation Economist  
-Engagement leader
- Senior Manager and Manager
- 3 staff members part time through conducting



# Background

- Informed decision-making is essential for effective government
- Government's guide to good capital management: Capital Asset Management Framework (CAMF)
- The \$1.4 billion Evergreen line: a major addition to Metro Vancouver's rapid transit network



# Background

3 Agencies involved:

- Ministry of Transportation and Infrastructure(MOTI)
- Partnerships BC(PBC)
- Ministry of Finance(MFIN)



# Background - Location



# Audit Objectives

Did agencies fully inform government's decisions about:

- What to build, including technology choice and route; and
- Type of contractual arrangements, and how to procure?

(MOTI submitted its recommendations to Treasury Board in 2010)



# Conclusion

- **Scope:** Agencies did not fully inform government's decision about what to build. The material presented had significant gaps.
- However, we concluded the preferred SkyTrain option will likely best meet government's objectives
- **Procurement:** Agencies demonstrated the chosen P3 arrangement best meets government's policy objectives



# Key Findings - Scope

- Agencies fell short of CAMF not explaining:
  - Options' risks, costs and benefits;
  - Assumptions underpinning SkyTrain ridership;
  - Wider transit system risks & dependencies; and
  - How agencies would measure performance
- None of the agencies adequately documented reviews of material for Treasury Board



# Key Findings - Procurement

- Decision to use short-term P3 consistent with government policy objectives:
  - Clear case for rejecting longer-term P3; and
  - Recommending a P3 design-build-finance consistent with government policy
- Agencies also adequately:
  - Prepared to implement this option; and
  - Consulted stakeholders about the project
- This was not a typical long term P3 solution





# Recommendations

## *Guidelines, documentation and oversight*

- MFIN implement a detailed plan to inform public sector agencies about:
  - Information and documents required to properly advise government's capital project decisions; and
  - Oversight required to verify this information **(Rec. 1)**
- MFIN, MOTI and PBC document the evidence underpinning their decisions **(Rec. 2)**
- MFIN, MOTI and PBC review planning material against CAMF's requirements **(Rec. 6)**



# Recommendations

## *Performance measurement*

### MOTI:

- Provide more detailed guidance so that business cases follow CAMF on information included on performance measurement (**Rec. 4**); and
- Develop and apply a detailed framework for measuring, managing and reporting on performance for the Evergreen Line (**Rec. 5**)



# Recommendations

## *Transit ridership and benefit estimates*

### MOTI:

- Provide more detailed guidance on how to estimate ridership and economic benefits for transit projects **(Rec. 3)**; and
- Update its guidelines to make comparisons to relevant observed data central to justifying traffic and ridership forecasts **(Rec. 7)**



# Summary- themes in our findings

- Key information/knowledge not retained on government side
- Lack of public reporting on longer terms outcomes and achievement of benefits
- Ownership changes within the private sector partner



# Summary- challenges

- Writing reports with technical finance/accounting issues that are still understood by the general public.
- Audits/reviews are time consuming- takes time to build expertise
- Need to use specialists- quantity surveyors, economists, modeling experts.



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